



J.P.Morgan

AUSTRALIA

2022 Business Leaders Outlook

Optimism in the face of new challenges

Australian business leaders maintain an optimistic outlook even as they navigate a labour shortage, supply chain issues and effects from the war in Ukraine, our survey finds.

Introduction

Optimism is high among executives at midsize businesses across Australia, even with the challenges they face now and those they expect in the year ahead. The economic outlook for the global, regional and national economies is optimistic (63%), and the vast majority of business owners (94%) expect growth in the year ahead.

Interestingly, Australian sentiment slightly outpaces German optimism and far outpaces U.S. sentiment. In May, 61% of German business leaders were optimistic about the global and national economies. Meanwhile, a June survey of U.S. business leaders found that 9% were optimistic about the global economy and 19% were optimistic about the national economy.

One reason for the difference could stem from hopes for the new government. More than half (56%) of Australian business leaders expect the recent elections to have a positive impact. The survey was fielded just after the swearing-in of Prime Minister Anthony Albanese, during the third month of the war in Ukraine and with COVID-19 still a prevalent factor.

Optimism persists despite a labour shortage that 92% of those surveyed are feeling. More than 40% of Australian business leaders say they feel the effects of the ongoing war in Ukraine – supply chain issues being the leading impact (45%). But businesses are pivoting to accommodate these challenges as they strive toward an expectedly brighter year ahead. Half of Australian businesses are increasing benefits to retain workers, and of the respondents who named the supply chain as a growing pain, half are strategically stockpiling.

Explore the top six takeaways from executives at midsize Australian businesses in 2022:

LABOUR SHORTAGE

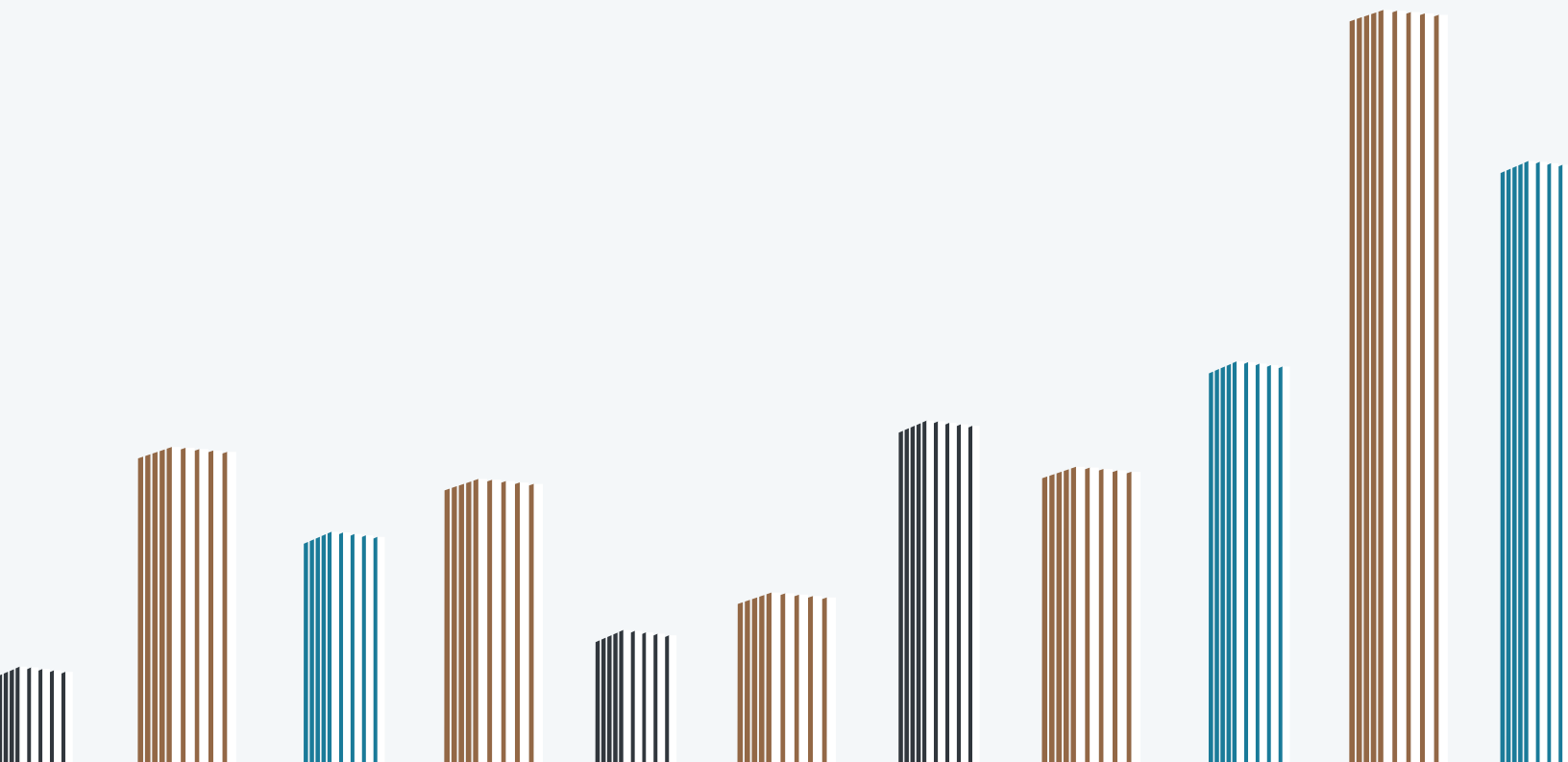
SUPPLY CHAIN DISRUPTIONS

WAR IN UKRAINE

COVID-19 PANDEMIC

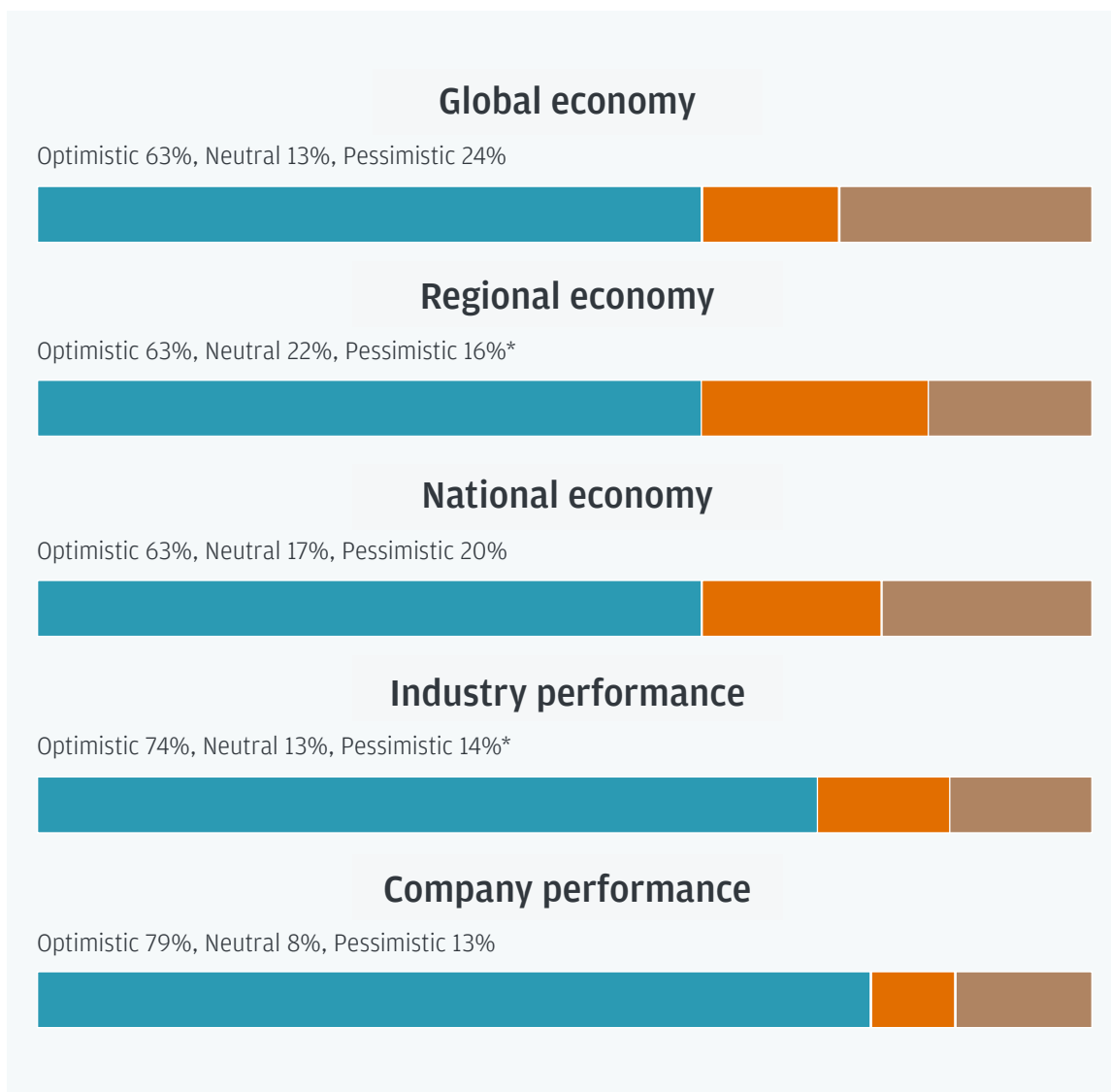
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

CYBER THREATS



Economic outlook

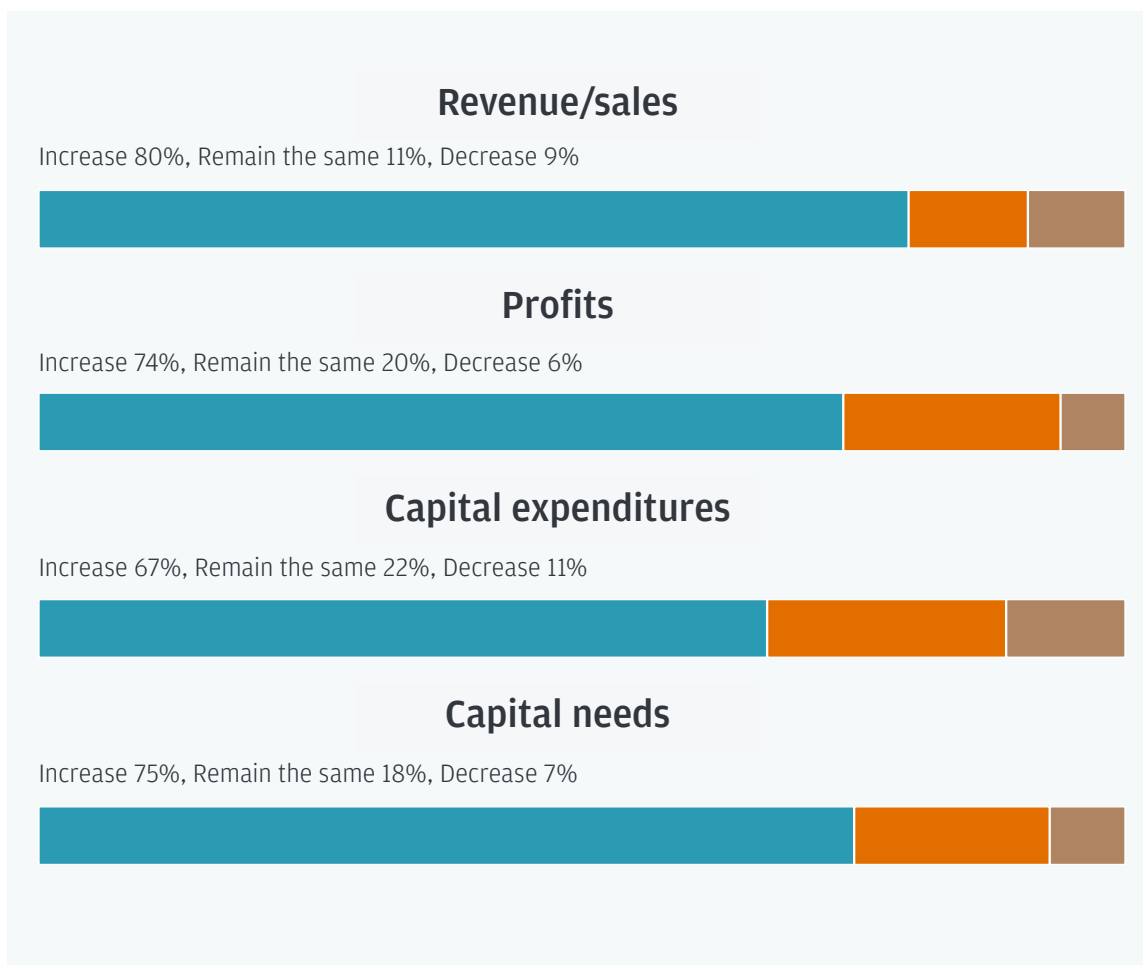
Australian business leaders are equally optimistic about the global, regional and national economies (63%). That optimism increases when focus narrows to their industry (74%) and their own company's future (79%).



*Numbers do not equal 100% due to rounding.

| Business expectations

Company growth is expected to come from increased revenue/sales (80%) and increased profits (74%).



Mid-cap businesses are very focused on absorbing cost inflation — often driven by supply chain issues and labour shortages. Management of these issues can be tricky where there are fewer capital sources available, particularly in certain industries where raising equity and/or debt is less straightforward given current market conditions. However, business leaders remain resilient and optimistic about future growth, as our survey results found — perhaps partly inspired by the recent election.

**Annabelle Mooney, Head of Commercial Banking, Australia,
J.P. Morgan**

Business expectations cont.

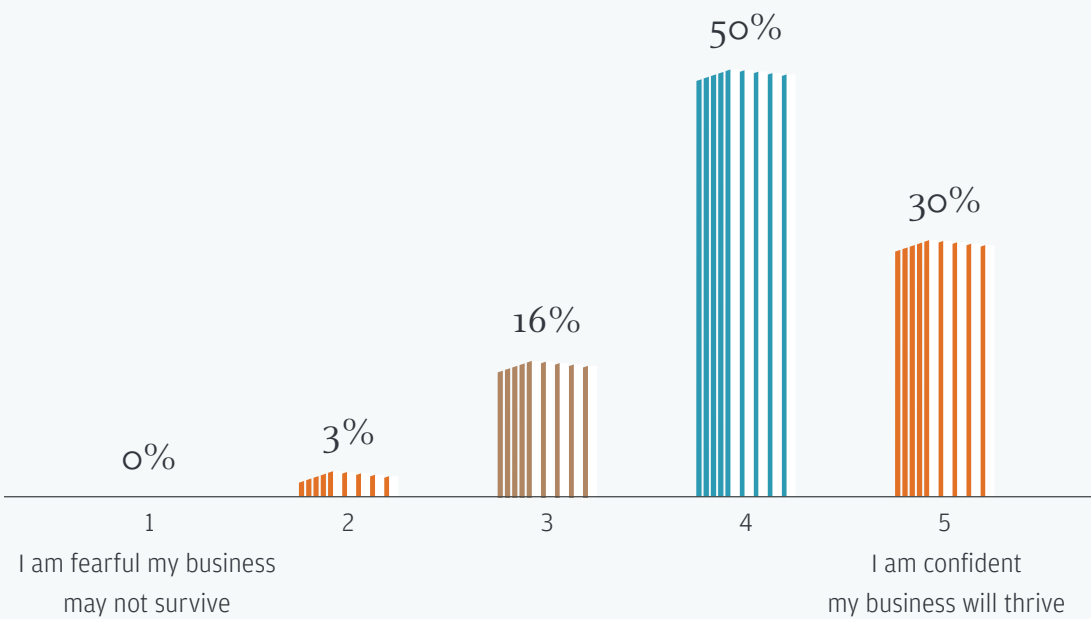
Confidence among Australia’s business community is high. Nearly all (94%) surveyed expect growth in the year ahead, a significant jump compared with the sentiment among U.S. business leaders surveyed in June (83%). In fact, growth expectations in Australia are higher than in any country J.P. Morgan has surveyed in the past six months.

Although Australian business owners vary widely on their path to growth, they largely see digital solutions as a primary growth avenue. A majority (53%) expect growth to come through technology that automates manual processes, and 50% believe e-commerce technologies and contactless payment solutions will play a part.

Expecting business growth in the next 12 months



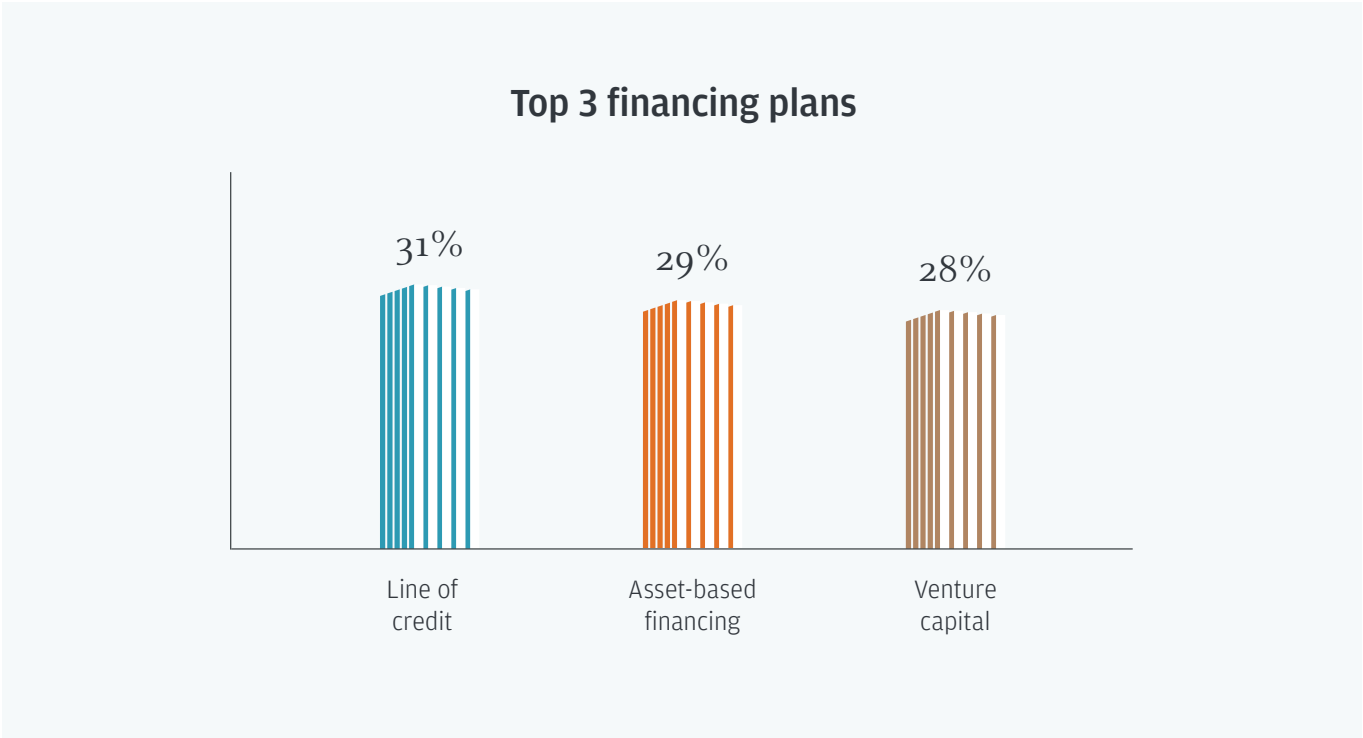
Confidence levels on the rise*



*Numbers do not equal 100% due to rounding.

Business expectations cont.

Business leaders plan to actively pursue capital in the year ahead, with 91% saying they plan to use or will consider using some form of financing. About a third (31%) of businesses are planning to use a line of credit, while almost as many plan to use asset-based financing (29%) or venture capital (28%).



Business expectations cont.

More than half (56%) of Australian business leaders expect the new government to have a positive impact on their business, while a little more than one-third (37%) give a neutral rating. Among respondents who say the election will positively impact their business, most give a general positive response or cite increased development of their business as top impacts.

Impact of election*



*Respondents were asked an open-ended question.

Business expectations cont.

Australian business owners face many operational challenges, with rising prices and labour concerns topping the list. Business leaders also say ongoing supply chain issues are a top concern.

Top 3 challenges companies are facing

- 1. Rising prices 27%
- 2. Labour (shortage and costs) 27%
- 3. Ongoing supply chain issues..... 18%

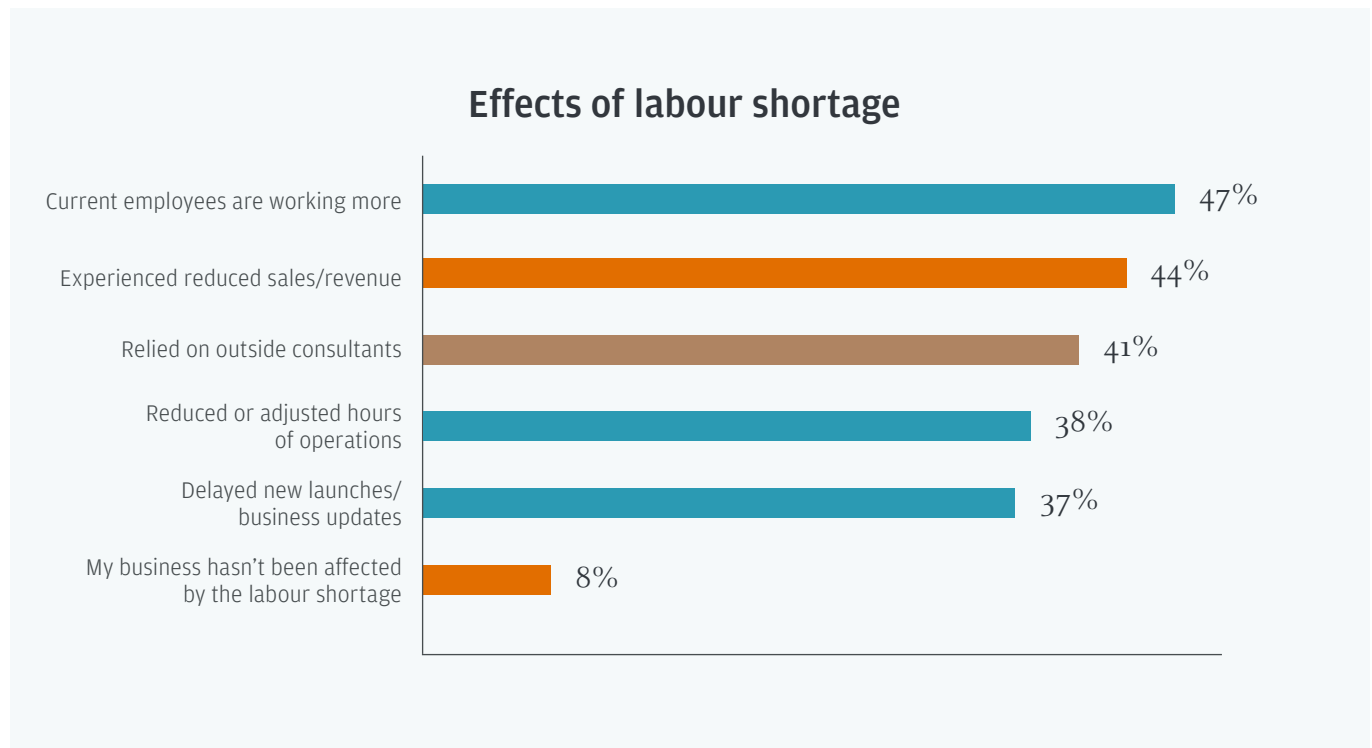
Australian business leaders are grappling with rising costs and labour shortages, but their optimism remains strong. They’re overcoming the volatility and continuing to find growth opportunities.

Robert Bedwell, Chief Executive Officer, J.P. Morgan, Australia and New Zealand, J.P. Morgan

| Labour shortage

The vast majority (92%) of Australian businesses say they feel the pangs of the labour shortage in a number of ways.

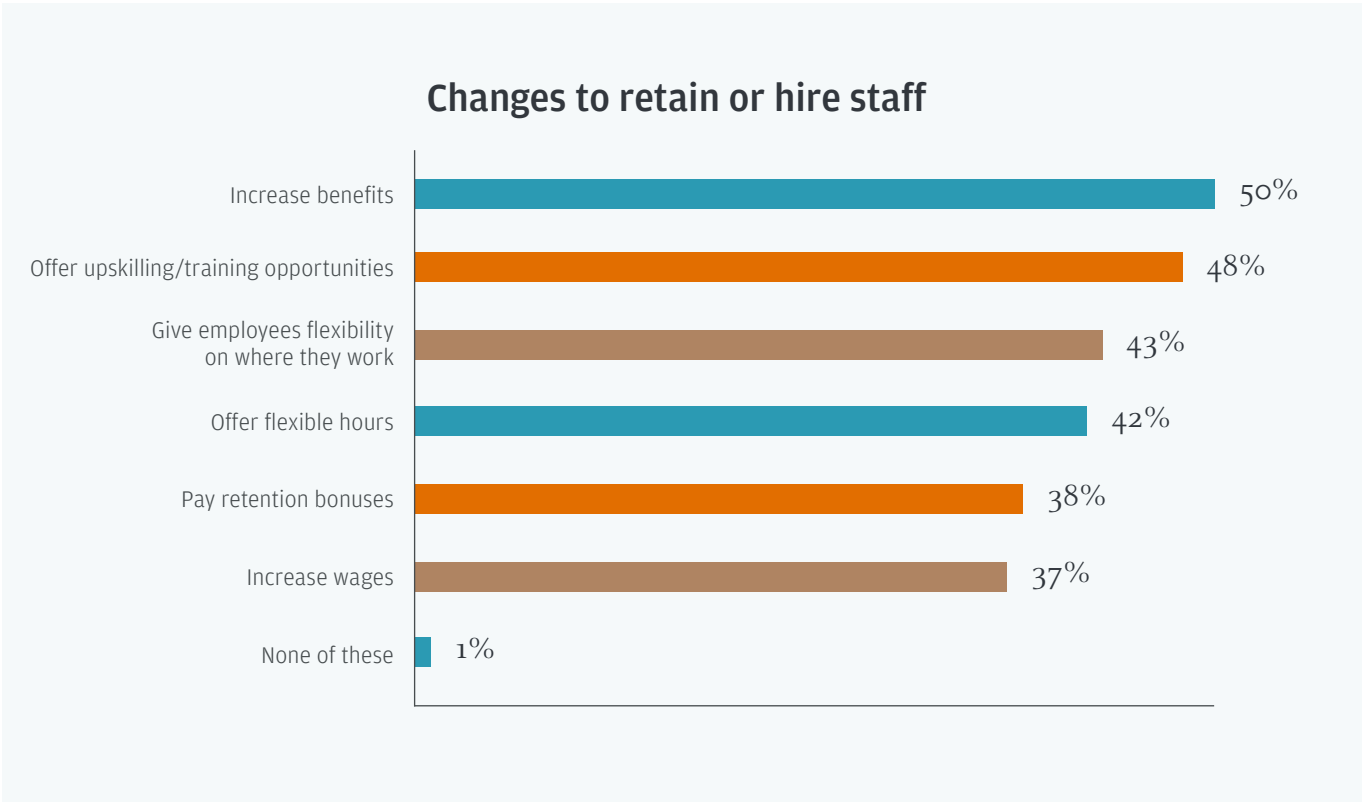
Nearly half (47%) of businesses report that current employees are working more, while 41% say they have relied on outside consultants. Many (44%) also report reduced sales/revenue.



Labour shortage cont.

To address the labour shortage, Australian businesses plan to make changes aimed at retaining or hiring staff.

The most common tactic, which half the businesses surveyed are using, is to increase benefits. Other top changes include offering upskilling/training opportunities (48%) and employee flexibility for work location (43%) and work hours (42%).

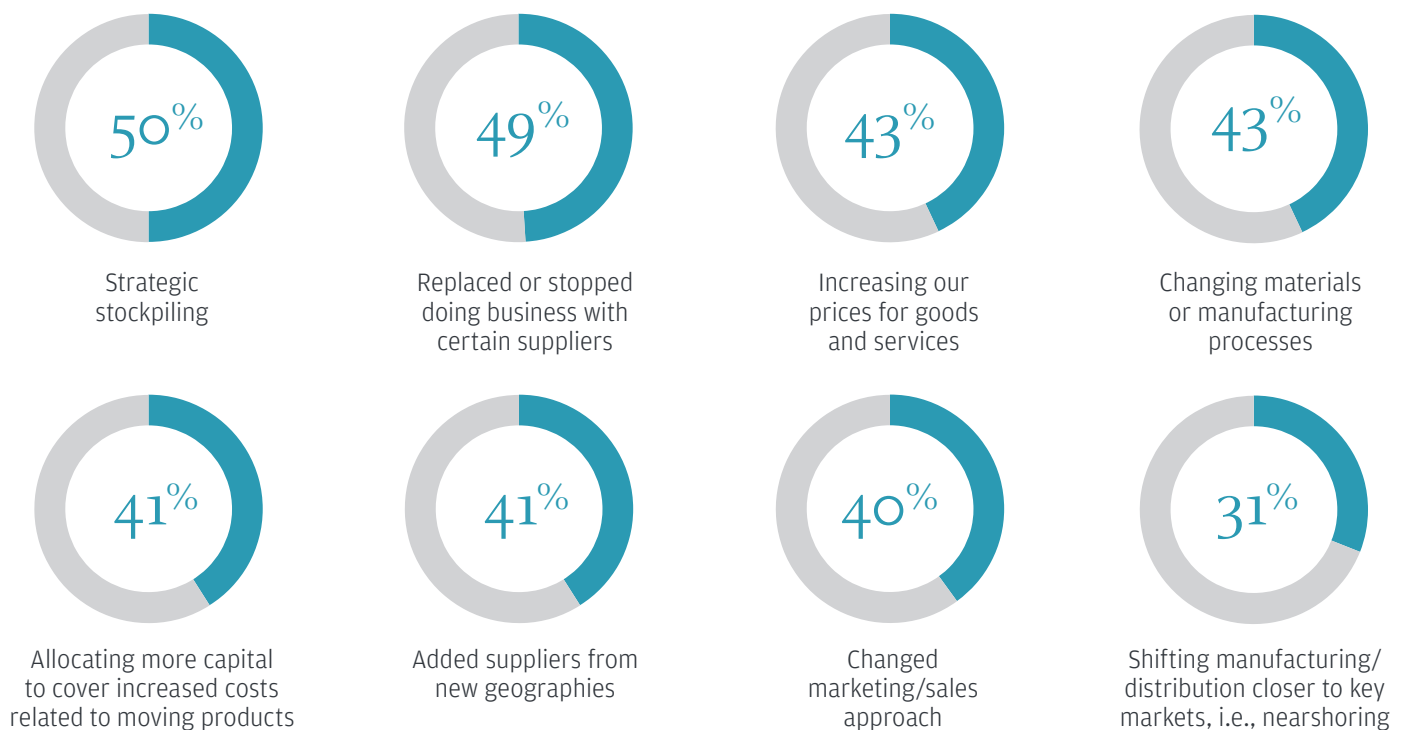


| Supply chain disruptions

Supply chain disruptions are the leading driver of disruptive change (36%), and rising prices (27%) are also among the top challenges Australian business leaders cite.

In response, business leaders are making adjustments to inventory and suppliers. Half of executives who mention supply chain as a growing pain say they are strategically stockpiling, and nearly half (49%) have replaced or stopped doing business with certain suppliers.

Adjustments made due to supply chain issues*

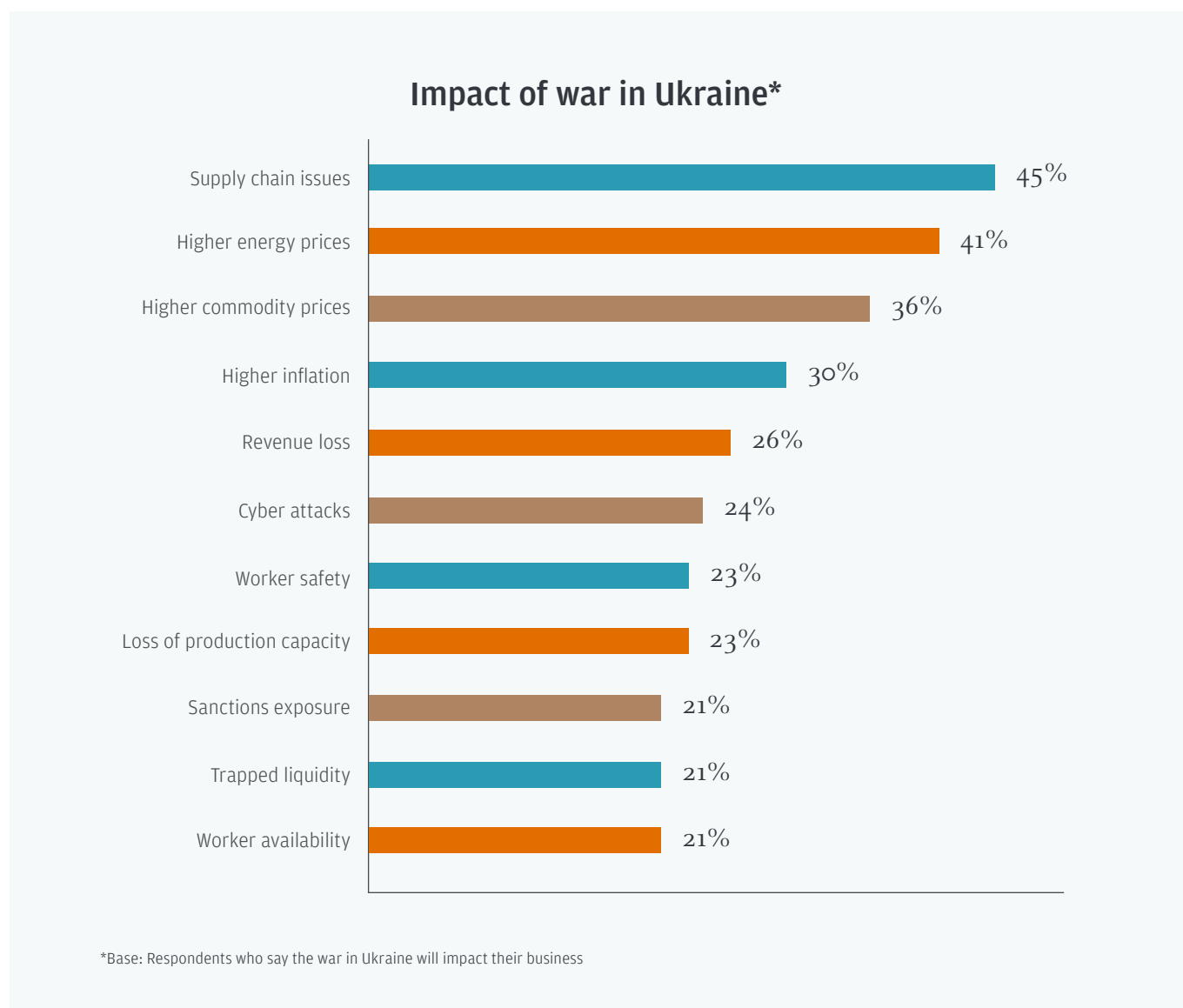


*Base: Respondents who mention supply chain as a growing pain

War in Ukraine

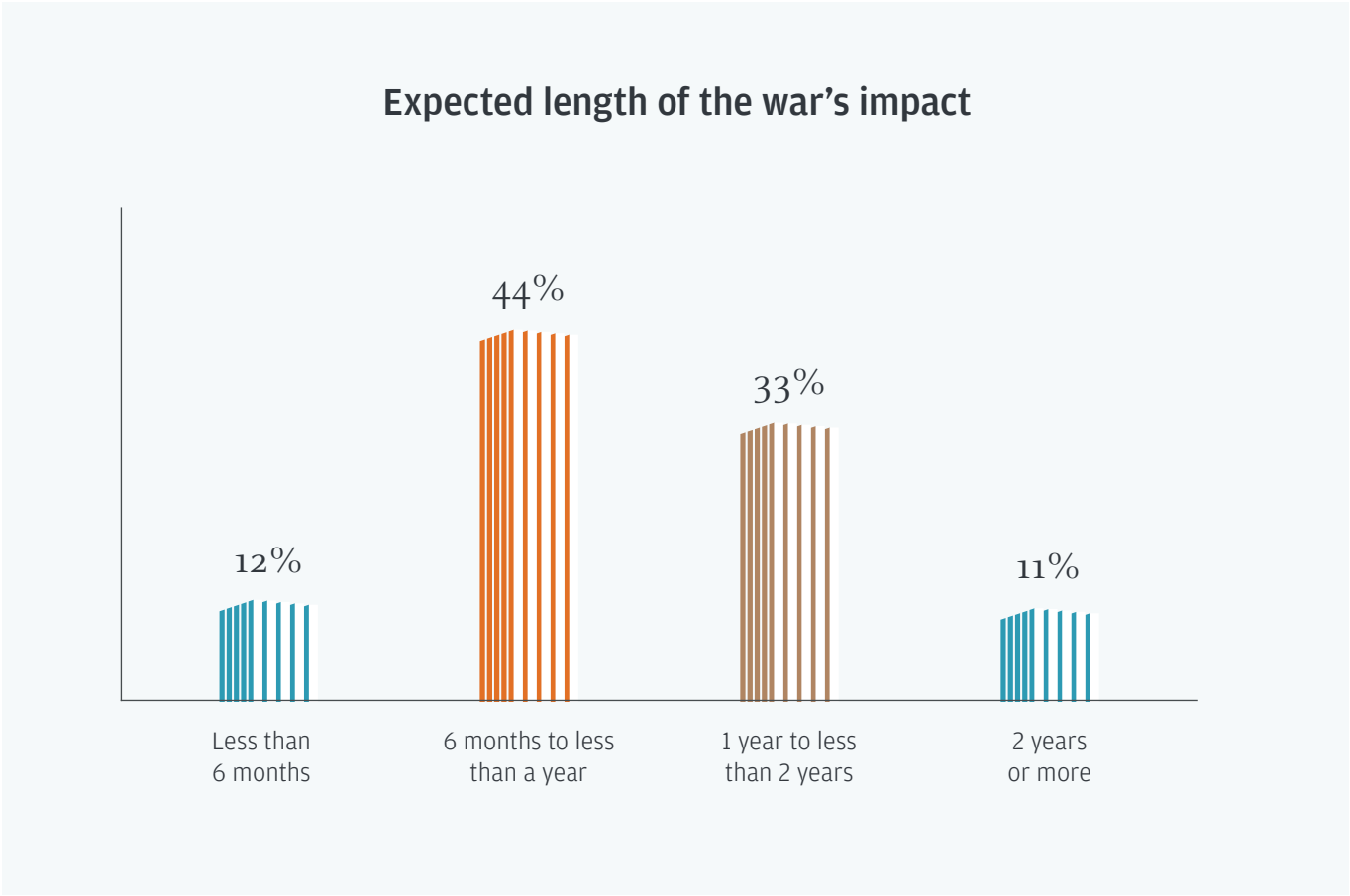
More than 4 in 10 (44%) Australian business leaders expect the war in Ukraine to impact their business, and those anticipated impacts span a number of problems.

Supply chain issues (45%) are the most cited impact. Other top concerns include higher energy prices (41%), higher commodity prices (36%) and higher inflation (30%).



War in Ukraine cont.

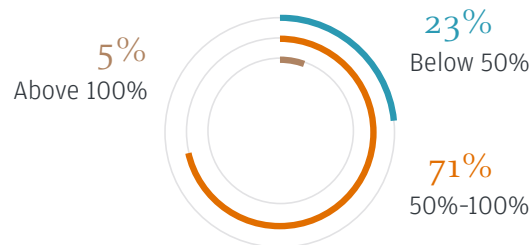
A majority (88%) of the businesses that have been impacted by the war in Ukraine say they expect the impact to last at least six months.



COVID-19 pandemic

More than two years after the beginning of the COVID-19 pandemic, Australian businesses are recovering well from the initial impact. More than three-fourths (76%) are operating at or greater than 50% capacity.

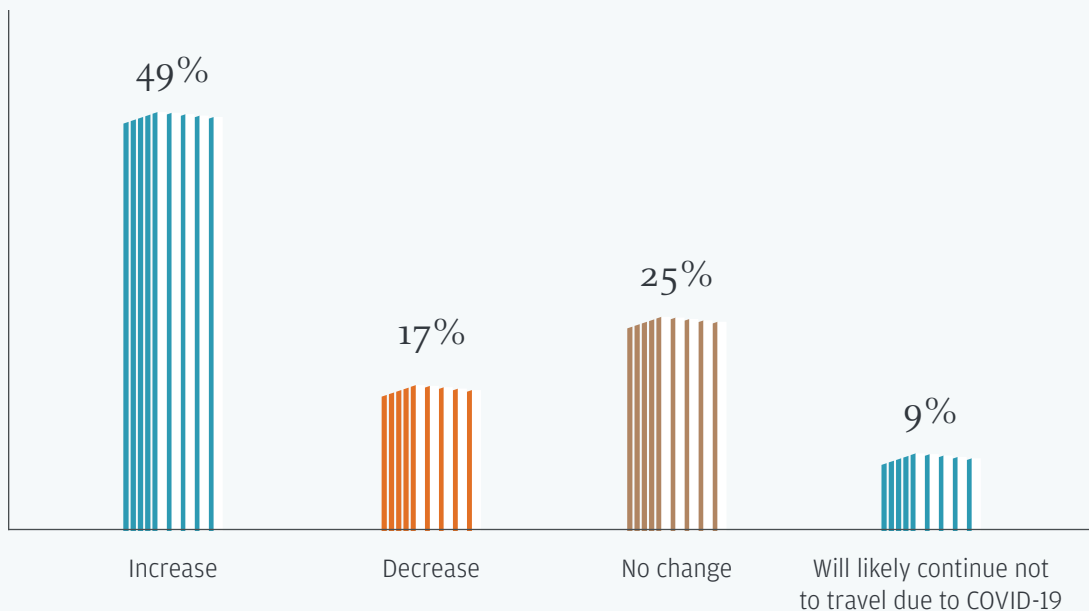
Capacity since the pandemic*



*Numbers do not equal 100% due to rounding.

Nearly half (49%) of businesses expect to increase business travel in the next six months, which is understandable considering the country's stringent travel restrictions during the height of the pandemic. Only 9% of companies say they will likely continue to avoid travel due to COVID-19 concerns.

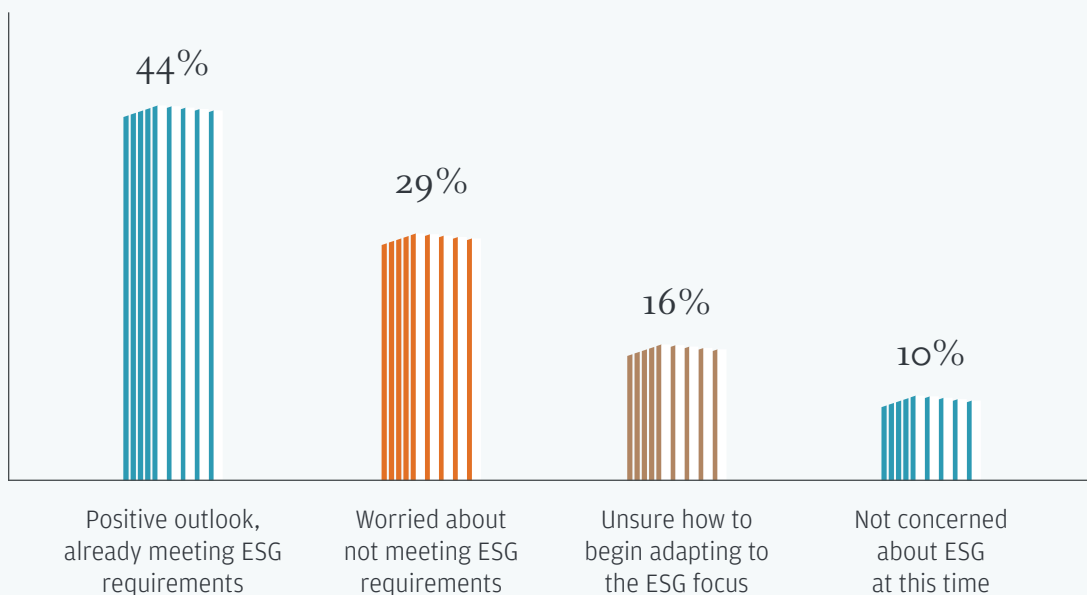
Travel plans in the next 6 months



Environmental, social and governance (ESG)

A little more than half (52%) of Australian business leaders expect the focus on corporate responsibility factors to increase in 2022. This is good news for the 44% of Australian businesses that have a positive outlook on the global focus of ESG because they believe they're already meeting ESG requirements.

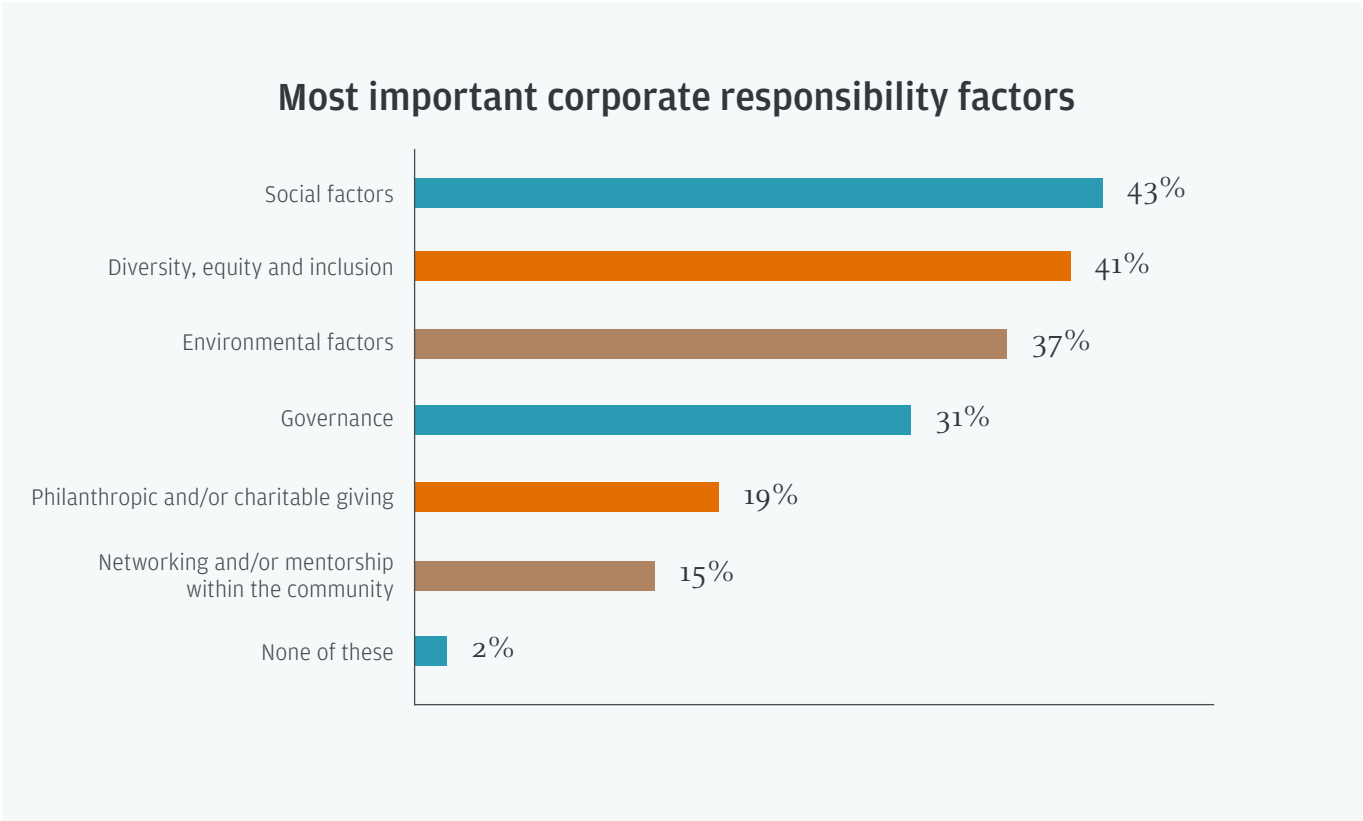
Business outlook on global focus of ESG*



*Numbers do not equal 100% due to rounding.

ESG cont.

Of the factors that make up corporate responsibility, social factors (43%) and diversity, equity and inclusion (41%) are most important to business strategy, a possible indicator of what to expect from Australian businesses in the year ahead.



| Cyber threats

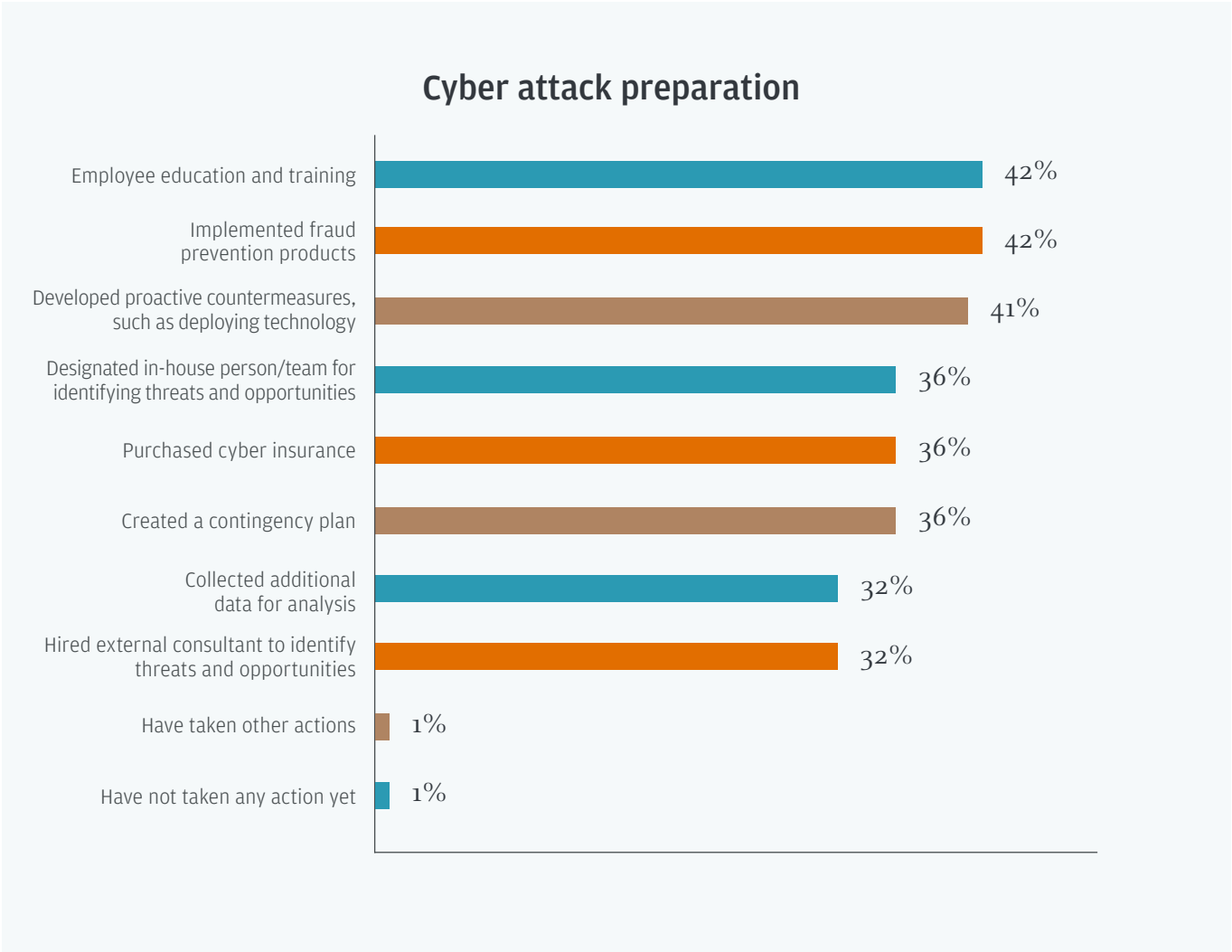
While digital solutions have helped businesses pivot during the COVID-19 pandemic, 45% of Australian businesses have experienced a cyber-related incident in the past year. And cyber threats loom in the back of business owners' minds. Top concerns centre around compromised supply chain/vendors (19%) and theft of intellectual property or data breaches (18%).

Greatest risk of cyber threats

Supply chain/vendor compromise or attack.....	19%
Theft of intellectual property/data breach	18%
Malware/ransomware	13%
Website/server crash	12%
Business email compromise	12%
Payments fraud	11%
Cheque fraud.....	3%
None/not concerned.....	12%

Cyber threats cont.

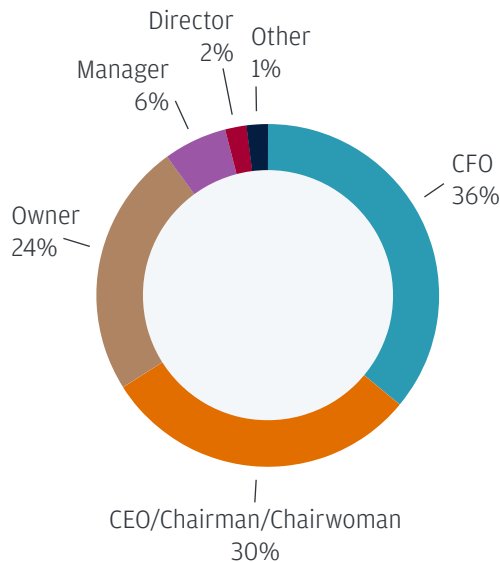
Nearly all (99%) of the businesses concerned about cyber attacks have taken some form of protective action. The most common measures include employee education and training (42%), implementing fraud prevention products (42%) and proactive countermeasures such as deploying technology (41%).



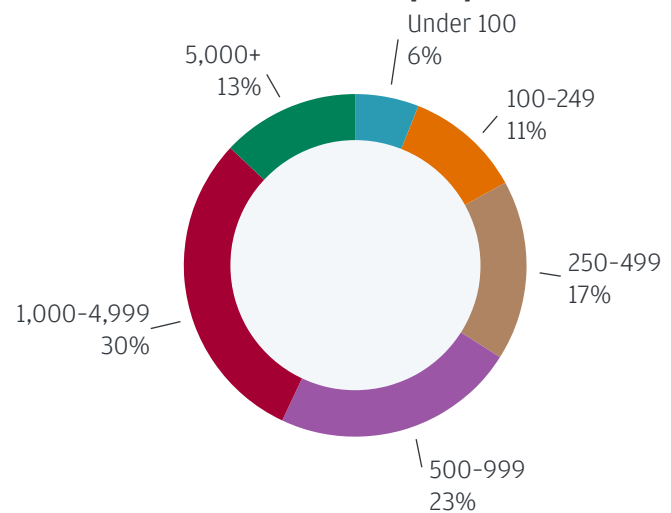
About the survey

The 2022 J.P. Morgan Business Leaders Outlook: Australia survey is the first of its kind. Conducted between 24 May and 9 June 2022, the survey is a snapshot capturing the concerns and expectations of 204 senior business leaders whose companies have annual revenues between AU\$20 million and AU\$2 billion.

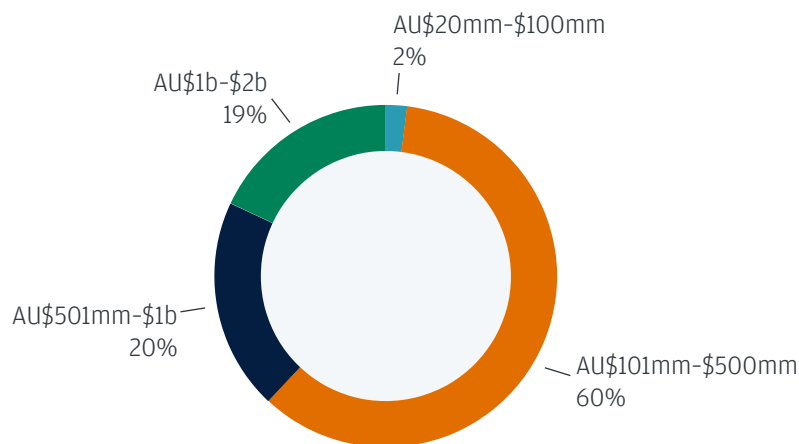
Who took the survey*



Company size by number of employees



Company size by annual revenue*



* Numbers do not equal 100% due to rounding.

J.P.Morgan

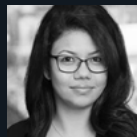
For informational/educational purposes only: The views expressed in this article may differ from those of other employees and departments of JPMorgan Chase & Co. Views and strategies described may not be appropriate for everyone and are not intended as specific advice/recommendation for any individual. Information has been obtained from sources believed to be reliable, but JPMorgan Chase & Co. or its affiliates and/or subsidiaries do not warrant its completeness or accuracy. You should carefully consider your needs and objectives before making any decisions and consult the appropriate professional(s). Outlooks and past performance are not guarantees of future results.

JPMorgan Chase Bank, N.A. Member FDIC. ©2022 JPMorgan Chase & Co.

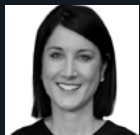
| Our experts



Robert Bedwell,
Chief Executive Officer,
Australia and New Zealand
J.P. Morgan



Lindsay Atkinson
Head of Commercial Banking Treasury
Management, Australia
J.P. Morgan



Annabelle Mooney
Head of Commercial Banking,
Australia
J.P. Morgan



Oliver Bareau
Head of Private Banking, Australia
J.P. Morgan